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**WARDS 5 & 8 JOINT
SEWERAGE COMMISSION
PARISH OF ST. MARY
STATE OF LOUISIANA**

**FINANCIAL STATEMENTS
For the Years Ended
September 31, 2004 & 2003**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 4/20/05

WARDS 5 & 8 JOINT SEWERAGE COMMISSION
PARISH OF ST. MARY
STATE OF LOUISIANA

FINANCIAL STATEMENTS

FOR THE YEARS ENDED
SEPTEMBER 30, 2004 AND 2003

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WARDS 5 & 8 JOINT SEWERAGE COMMISSION
PARISH OF ST. MARY
STATE OF LOUISIANA

Management's Discussion and Analysis (Unaudited)

Our discussion and analysis of the financial performance of Wards 5 & 8 Joint Sewerage Commission provides an overview of the Commission's financial activities for the fiscal year ended September 30, 2004. Please read it in conjunction with the Commission's financial statements, which begin on page 5.

FINANCIAL HIGHLIGHTS

The Commission's net assets decreased by \$(64,663) from \$1,410,826 on September 30, 2003 to \$1,346,163 on September 30, 2004.

For the year ended September 30, 2004.

The Commission's total operating revenues were \$508,671 and operating expenses were \$575,679 resulting in operating loss of \$(67,008).

The interest earned on the money market account was \$2,345 for the year.

Cash and cash equivalents decreased by \$94,456 for the year ended September 30, 2004.

For the year ended September 30, 2003.

The Commission's total operating revenues were \$507,736 and operating expenses were \$524,657 resulting in operating loss of \$16,921.

The interest earned on the money market account was \$5,184 for the year.

Cash and cash equivalents decreased by \$161,126 for the year ended September 30, 2003.

USING THIS ANNUAL REPORT

This annual report consists of three parts – *Management's discussion and analysis*, the basic *financial statements*, and *supplementary information*. The basic financial statements consist of the fund financial statements and the notes to the financial statements. The fund financial statements focus on individual parts of the Commission, offering short and long-term financial information about the activities that the government operates like businesses.

BASIC FINANCIAL STATEMENTS

The basic financial statements present information for the Commission as a whole, in format designed to make the statements easier for the reader to understand. The statements in this section include the Statement of Net Assets, the Statement of Revenues and Expenses, and Changes in Net Assets, and the Statement of Cash Flows.

The Statement of Net Assets (Pages 7 & 8) presents the current and non-current portions of assets and liabilities separately. The difference between total assets and total liabilities is net assets and may provide a useful indicator of whether the financial position of the Commission is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Assets (Page 9) presents information showing how the Commission's assets changed as a result of current operations. Regardless of when cash is affected, all changes in net assets are reported when the underlying transaction occurs. As a result, there are transactions included that will not affect cash until future periods.

The Statement of Cash Flows (Pages 10 & 11) presents information showing how the Commission's cash changed as a result of current year operations. The cash flow statement is prepared using the direct method and includes the reconciliation of operating income (loss) to net cash provided (used) by operating activities (indirect method) as required by GASB 34.

FINANCIAL ANALYSIS OF THE COMMISSION

Condensed Statement of Net Assets
For the Years Ended September 30, 2004 and 2003

	2004	2003	Change
Current Assets	\$ 477,901	\$ 622,199	\$ (144,298)
Capital Assets - Net	1,003,435	945,879	57,556
Other Assets	2,402	2,402	-
Total Assets	\$1,483,738	\$ 1,570,480	\$ (86,742)
Current Liabilities	\$ 38,465	\$ 60,544	\$ (22,079)
Non-current Liabilities	99,110	99,110	-
Total Liabilities	\$ 137,575	\$ 159,654	\$ (22,079)
Invested in Capital Assets	1,003,435	945,879	\$ 57,556
Unrestricted	342,728	464,947	(122,219)
Total Net Assets	\$1,346,163	\$ 1,410,826	(64,663)
Total Liabilities and Net Assets	\$1,483,738	\$ 1,570,480	\$ (86,742)

FINANCIAL ANALYSIS OF THE COMMISSION (Continued)

During the year ended September 30, 2004 the Commission completed \$134,829 in sewerage system improvements, the unrestricted net assets decreased by \$122,219 mainly due to these improvements. These improvements were funded by current assets and did not require the issuance of any debt.

Condensed Statement of Revenues
Expenses and Changes in Net Assets
For the Years Ended September 30, 2004 and 2003

	2004	2003	Change
Operating Revenues	\$ 508,671	\$ 507,736	\$ 935
Operating Expenses	575,679	524,657	51,022
Operating (Loss) Income	\$ (67,008)	\$ (16,921)	\$ (50,087)
Non-Operating Revenues	2,345	18,907	(16,562)
Change in Net Assets	\$ (64,663)	\$ 1,986	\$ (66,649)
Total Net Assets, Beginning of Year	1,410,826	1,408,840	1,986
Total Net Assets, End of Year	<u>\$ 1,346,163</u>	<u>\$1,410,826</u>	<u>\$ (64,663)</u>

The Commission's total revenues increased by only \$935 in 2004. The fees are billed to the participants based on a \$1 fee per one thousand gallons of water consumed by each participant's water customers. The small increase in revenues is due to the fact the participant's customer's water usage remained consistent with the prior year. The Commission's operating expenses increased by \$51,022 mainly due to the increase in repairs and maintenance and additional depreciation on the newly acquired capital assets.

CAPITAL ASSETS

The following is a summary of the commission's investments in capital assets:

	2002	2003	2004
Sewerage Improvements	\$ 767,446	\$ 867,818	\$ 1,108,817
Equipment	449,266	449,266	452,479
Vehicles	32,479	32,479	32,479
Construction in Progress	-	106,170	-
Total Cost of Assets	1,249,191	1,455,733	1,593,775
Accumulated Depreciation	(433,206)	(509,854)	(590,340)
Total Capital Assets, Net	<u>\$ 815,985</u>	<u>\$ 945,879</u>	<u>\$ 1,003,435</u>
Depreciation Expense	<u>\$ 61,587</u>	<u>\$ 76,648</u>	<u>\$ 80,486</u>

FUTURE PLANNING

The facilities are now approaching 20 years of active service without major upgrades. Regulatory agencies are requiring communities to address wet weather flows. EPA has formulated regulations known as CMOM (Capacity, Management, Operation and Maintenance) that require communities to build in capacity to their systems to prevent wet weather overflows. In addition, the communities served by the regional system have all experienced increased development and some development is also occurring in geographic areas where sanitary sewer service is not readily available. Finally, the collection systems of the customer communities also continue to age and experience significant amounts of inflow of water during wet weather storm events. These factors all affect the operations of the regional facilities and best management practices indicate that upgrading and expanding the regional facilities should be considered.

In response to these issues, the Wards 5 & 8 Joint Sewer Commission has undertaken an "Expansion Study for the Wards 5 & 8 Regional Sewer Facilities". This study has identified approximately \$7,000,000 of capital spending that could be undertaken by the Commission to expand the regional facilities. The Commission, in conjunction with the "customers" of the Regional Sewerage System, which are: the Town of Berwick, the City of Patterson, Sewer District No. 8 and Consolidated Water and Sewer District No. 2, are now aggressively formulating a financing plan to implement the recommendations of this study. Wards 5 and 8 has authorized the design and construction of parallel force main from Pump Station No. 11 to the Berwick/Bayou Vista holding basin and replacement force main from Pump Station No. 7 to the Berwick landfill. These projects are elements 7 and 8 of the expansion study.

CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, participants and other interested parties with a general overview of the funds maintained by the Commission and to show the Commission's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Susanne Shockely, bookkeeper, Wards 5 & 8 Joint Sewerage Commission at P.O. Box 181 Berwick, Louisiana 70342.

ADAMS & JOHNSON

CERTIFIED PUBLIC ACCOUNTANTS

P. O. BOX 729 • 517 WISE STREET

PATTERSON, LOUISIANA 70392

(985) 395-9545

HERBERT J. ADAMS, JR., C.P.A.

WILLIAM H. JOHNSON, III, C.P.A.

MEMBERS:

AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Wards 5 & 8 Joint Sewerage Commission
P.O. Box 181
Berwick, Louisiana 70342

We have audited the accompanying financial statements of Wards 5 & 8 Joint Sewerage Commission, a joint venture of the Town of Berwick, Consolidated Water and Sewerage District No. 2, the City of Patterson, and Sewerage District No. 8 of the Parish of St. Mary, State of Louisiana, as of and for the years ended September 30, 2004 and 2003, as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Wards 5 & 8 Joint Sewerage Commission as of September 30, 2004 and 2003, and the results of its operations and the cash flows for the proprietary fund for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 1 to 4 is not a required part of the financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplementary information, as listed in the table of contents, while not considered necessary for a fair presentation of the financial statements, is presented as supplementary analytical data.

Such information, except for that portion marked "unaudited", on which we express no opinion, has been subjected to auditing procedures applied in the audit of the financial statements, and in our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated February 28, 2005 on our consideration of Wards 5 & 8 Joint Sewerage Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in considering the results of our audit.

A handwritten signature in cursive script that reads "Adams & Johnson".

ADAMS & JOHNSON
Certified Public Accountants

Patterson, Louisiana
February 28, 2005

WARDS 5 AND 8 JOINT SEWERAGE COMMISSION
INTERNAL SERVICE FUND
STATEMENT OF NET ASSETS
September 30, 2004 and 2003

ASSETS

	<u>2004</u>	<u>2003</u>
Current assets:		
Cash	\$ 387,809	\$ 482,265
Due from other governmental units	63,074	114,718
Prepaid insurance	27,018	25,216
Total Current Assets	<u>\$ 477,901</u>	<u>\$ 622,199</u>
Noncurrent Assets:		
<i>Capital assets (net of</i>		
<i>accumulated depreciation)</i>	<u>1,003,435</u>	<u>945,879</u>
Total Noncurrent Assets	<u>1,003,435</u>	<u>945,879</u>
Other Assets:		
Deposits	<u>2,402</u>	<u>2,402</u>
Total Assets	<u><u>\$1,483,738</u></u>	<u><u>\$1,570,480</u></u>

The accompanying notes are an integral part of these financial statements.

WARDS 5 AND 8 JOINT SEWERAGE COMMISSION
INTERNAL SERVICE FUND
STATEMENT OF NET ASSETS
September 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Liabilities:		
Current Liabilities:		
Accounts payable	\$ 34,990	\$ 56,256
Payroll taxes payable	1,768	1,689
Retirement payable	<u>1,707</u>	<u>2,599</u>
Total Current Liabilities	\$ 38,465	\$ 60,544
Noncurrent Liabilities:		
Due to participants	<u>99,110</u>	<u>99,110</u>
Total Noncurrent Liabilities	99,110	99,110
Total Liabilities	<u>\$ 137,575</u>	<u>\$ 159,654</u>
Net Assets:		
Invested in capital assets	\$ 1,003,435	\$ 945,879
Unrestricted	<u>342,728</u>	<u>464,947</u>
Total Net Assets	<u>1,346,163</u>	<u>1,410,826</u>
Total Liabilities and Net Assets	<u><u>\$ 1,483,738</u></u>	<u><u>\$ 1,570,480</u></u>

The accompanying notes are an integral part of these financial statements.

WARDS 5 AND 8 JOINT SEWERAGE COMMISSION
INTERNAL SERVICE FUND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
September 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Operating Revenues:		
Charges for Services	\$ 508,671	\$ 507,736
Total Operating Revenue	\$ 508,671	\$ 507,736
Operating Expenses:		
Advertising	\$ -	\$ 348
Truck & Fuel	15,920	9,756
Chemicals	11,231	16,818
Insurance	45,237	35,157
Secretary/Bookkeeping	4,200	4,200
Legal and Accounting	4,963	4,326
Miscellaneous	598	357
Supplies	9,145	9,599
Repairs and Maintenance	152,159	137,674
Equipment Rental	17,890	-
Salaries	67,889	59,338
Taxes - Payroll	1,368	2,683
Utilities	88,504	92,293
Retirement	6,248	4,270
Engineering	23,948	21,658
Depreciation	80,486	76,648
Lab Fees	12,946	13,970
Uniforms	1,608	1,903
Board Meetings	3,000	3,000
Telephone	5,222	10,130
Water Surveillance	12,677	12,554
Grass Cutting	10,440	7,975
Total Operating Expenses	<u>575,679</u>	<u>524,657</u>
Operating (Loss) Income	\$ (67,008)	\$ (16,921)
Nonoperating Revenue:		
St. Mary Parish Grant	\$ -	\$ 13,723
Interest Income	2,345	5,184
Total Nonoperating Revenues	<u>2,345</u>	<u>18,907</u>
Change in Net Assets	\$ (64,663)	\$ 1,986
Net Assets, Beginning	<u>1,410,826</u>	<u>1,408,840</u>
Net Assets, Ending	<u>\$1,346,163</u>	<u>\$ 1,410,826</u>

The accompanying notes are an integral part of these financial statements.

WARDS 5 AND 8 JOINT SEWERAGE COMMISSION
INTERNAL SERVICE FUND
STATEMENT OF CASH FLOWS
For the Years Ended September 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Cash Flows From Operating Activities:		
Cash Received from Participants	\$ 560,315	\$ 453,882
Cash Payments for Personal Services	(67,889)	(59,338)
Cash Payments for Supplies and Operating Services	<u>(451,185)</u>	<u>(368,035)</u>
Net Cash provided by Operating Activities	\$ 41,241	\$ 26,509
Cash Flow (Used By) Capital and Related Financing Activities:		
Acquisition and Construction of Capital Assets	(138,042)	(206,542)
Cash Flows from Nonoperating Revenue and Expense Activities:		
St. Mary Parish Grant	\$ -	\$ 13,723
Interest Income	<u>2,345</u>	<u>5,184</u>
Net Cash Provided by Nonoperating Revenues and Expenses	<u>2,345</u>	<u>18,907</u>
Net (Decrease) Increase in Cash and Cash Equivalents	\$ (94,456)	\$ (161,126)
Cash and Cash Equivalents at Beginning of year	<u>482,265</u>	<u>643,391</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 387,809</u></u>	<u><u>\$ 482,265</u></u>

The accompanying notes are an integral part of these financial statements.

WARDS 5 AND 8 JOINT SEWERAGE COMMISSION
INTERNAL SERVICE FUND
STATEMENT OF CASH FLOWS
For the Years Ended September 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
<i>Operating (Loss)</i>	\$ (67,008)	\$ (16,921)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	80,486	76,648
Change in Assets and Liabilities:		
<i>(Increase) Decrease in Due from Participants</i>	51,644	(53,854)
<i>(Increase) in Prepaid Insurance</i>	(1,802)	(17,272)
<i>(Decrease) Increase in Accounts Payable</i>	(21,266)	36,376
Increase in Payroll Taxes	79	477
<i>(Decrease) Increase in Retirement Payable</i>	<u>(892)</u>	<u>1,055</u>
Net Cash Provided by Operating Activities	<u>\$ 41,241</u>	<u>\$ 26,509</u>

The accompanying notes are an integral part of these financial statements.

WARDS 5 & 8 JOINT SEWERAGE COMMISSION

NOTES TO FINANCIAL STATEMENTS

September 30, 2004 and 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Wards 5 & 8 Joint Sewerage Commission was established in May, 1984, by an intergovernmental agreement joint venture between the participants, the Town of Berwick, the City of Patterson, the Parish of St. Mary, and Sewerage District No. 2 of the Parish of St. Mary, State of Louisiana. The Commission's sole responsibility and duty is to maintain, operate, and administer the sewerage treatment facility that is jointly owned by the participants.

During the year ended September 30, 1995, the St. Mary Parish Council entered into an agreement to transfer their ownership interest in the sewerage treatment facility to two of the Parish Council's component units, Sewerage District No. 2 and Sewerage District No. 8. Both of these component units of the Parish of St. Mary are currently participants in the funding of the operations of Wards 5 & 8 Joint Sewerage Commission.

The following participants funded the operation of Wards 5 & 8 Joint Sewerage Commission as of September 30, 2004 & 2003:

1. Town of Berwick
2. City of Patterson
3. Consolidate Water and Sewerage District No. 2
4. Sewerage District No. 8

The following is a summary of certain significant accounting policies:

A) Fund Structure:

The accounting system is organized and operated on a fund basis whereby a separate self-balancing set of accounts is maintained for the purpose of carrying on specific activities, or attaining certain objectives in accordance with special regulations, restrictions or limitations.

PROPRIETARY FUND TYPE

Internal Service Fund – An Internal Service fund is used to account for the financing of special activities and services performed by a designated organizational unit, within a governmental jurisdiction for other organizational units within the same governmental jurisdiction.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B) Basis of Accounting:

The Commission has implemented GASB Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments." Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. The Commission's accounting system uses the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

C) Change in Accounting:

This financial statement has been prepared in conformity with GASB No. 34. In June 1999, GASB unanimously approved Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. A Management Discussion and Analysis (MD&A) section providing an analysis of the District's overall financial position and results of operations is included in this report. This and other changes are reflected in the accompanying financial statements, including the notes to the financial statements.

D) Investments:

Investments are stated at cost.

E) Accumulated Vacation, Compensatory Time and Sick Leave:

Accumulated vacation, compensatory time and sick leave are recorded as an expenditure of the period in which earned. At September 30, 2004 and 2003, unrecorded liabilities for the above are an immaterial amount.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F) Property, Plant and Equipment:

Property, plant and equipment are stated at historical cost or estimated historical cost if actual historical cost is not available. Additions, improvements, and expenditures that add materially to productive capacity, or extend the life of an asset, are capitalized.

Depreciation is charged as an expense against operations. Depreciation has been provided over the estimated economic lives of the assets by the straight-line method. The estimated useful lives are as follows:

Equipment	5 – 40 years
Improvements	10 – 40 years

G) Statement of Cash Flows:

For the purposes of the statement of cash flows, the Wards 5 & 8 Joint Sewerage Commission considers all cash and certificates of deposit with a maturity of less than one year, including restricted assets, to be cash or cash equivalents.

H) Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

I) Reporting Entity:

Wards 5 & 8 Joint Sewerage Commission was established by a joint venture between the participants, Town of Berwick, Consolidated Water and Sewerage District No. 2, the City of Patterson, and Sewerage District No. 8 of the Parish of St. Mary, State of Louisiana. The Commission's sole responsibility and duty is to maintain and operate the sewerage treatment facility system. Each participant accounts for their equity interest in Wards 5 & 8 Joint Sewerage Commission on their own financial statement.

NOTE 2 - CASH AND CASH EQUIVALENTS

Statutes authorize the Commission to invest in certificates of deposit, repurchase agreements, passbooks, bankers acceptances and other available bank investments provided that approved securities are pledged to secure those funds on deposit, as required. Cash and interest bearing deposits as of September 30, 2004 and 2003 were as follows:

	9/30/2004		9/30/2003	
	Book Balance	Bank Balance	Book Balance	Bank Balance
Cash	\$ 100	\$ -	\$ 100	\$ -
Checking	30,679	33,169	17,307	19,899
Money Markets	357,030	357,750	464,858	464,858
Total	<u>\$ 387,809</u>	<u>\$ 390,919</u>	<u>\$482,265</u>	<u>\$ 484,757</u>

The Commission's cash and investments are categorized to give an indication of the level of risk assumed by the Commission at September 30, 2004 and 2003:

Category 1 - Insured or collateralized with securities held by the District or by its agent in the Commission's name.

Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the Commission's name.

Category 3 - Uncollateralized or securities uninsured or unregistered and held by the counter party.

Cash and investments categorized by the level of risk are:

	<u>9/30/2004</u>	<u>9/30/2003</u>
Category 1	\$ 130,679	\$ 117,407
Category 2	257,130	364,858
Category 3	<u>-</u>	<u>-</u>
Total	<u>\$ 387,809</u>	<u>\$ 482,265</u>

NOTE 3 - DUE FROM OTHER GOVERNMENTAL UNITS

Due from other governmental units are amounts due from each participant for unpaid user fees of the sewerage system. Amounts due from other governmental units consisted of the following:

	<u>9/30/2004</u>	<u>9/30/2003</u>
Consolidated Water and Sewerage District No. 2	\$ 14,693	\$ 23,644
Sewerage District No. 8	10,078	13,793
Town of Berwick	12,768	24,617
City of Patterson	<u>25,535</u>	<u>52,664</u>
Total	<u>\$ 63,074</u>	<u>\$ 114,718</u>

NOTE 4 - PROPERTY, PLANT, AND EQUIPMENT

Depreciation was \$80,486 and \$76,648 for the years ended September 30, 2004 and 2003.

	<u>Balance 9/30/2003</u>	<u>Additions</u>	<u>Balance 9/30/2004</u>
Property			
Improvements	\$973,988	\$134,829	\$1,108,817
Equipment	449,266	3,213	452,479
Vehicles	32,479	-	32,479
Accumulated Depreciation	<u>(509,854)</u>	<u>(80,486)</u>	<u>(590,340)</u>
Net of Accum. Depreciation	<u>\$945,879</u>		<u>\$ 1,003,435</u>

NOTE 5 - BOARD OF COMMISSIONERS

The Board of Commissioners consists of five members, one each appointed by the Town of Berwick, the City of Patterson, Sewerage District No. 2, and two appointed by the Parish Council.

NOTE 6 - CONTRIBUTED CAPITAL

The following is a list of the total contributions received from the following governmental units as of September 30, 2004 and 2003.

	<u>2004</u>	<u>2003</u>
Sewerage District No. 8	\$ 4,518	\$ 4,518
Town of Berwick	27,993	27,993
City of Patterson	31,292	31,292
St. Mary Parish Council	15,820	15,820
Sewerage District No. 2	<u>19,487</u>	<u>19,487</u>
	<u>\$ 99,110</u>	<u>\$ 99,110</u>

NOTE 7 - PENSION PLAN

Wards 5 & 8 Joint Sewerage Commission has two employees. All of the employees are covered under the Employees Parochial Retirement System of Louisiana. The Commission's contribution to this plan totaled \$ 6,248 and \$4,270 for the years ended September 30, 2004 and 2003.

All full-time eligible employees of the Wards 5 & 8 Joint Sewerage Commission are members of the Parochial Employees Retirement Systems of Louisiana, a multiple-employer (cost-sharing) public employee retirement system (PERS), controlled and administered by a separate board of trustees. The System is composed of two distinct plans. Plan A and Plan B, with separate assets and benefit provisions. All eligible employees of the Wards 5 & 8 Joint Sewerage Commission are members of Plan A.

NOTE 7 - PENSION PLAN (Continued)

All eligible employees working at least 28 hours per week who are paid wholly or in part from Wards 5 & 8 Joint Sewerage Commission's funds are eligible to participate in the System. Under Plan A, employees who retire at or after age 60 with at least 10 years of creditable service, at or after age 55 with at least 25 years of creditable service, or at any age with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3 per cent of their final-average salary for each year of creditable service. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established by state statute.

Covered employees are required by the State Legislature to contribute 9.50% of their gross salary to the plan. The Commission was required by the same statute to contribute 11.75% in 2004 and 7.75% in 2003 of each employee's gross salary to the plan.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Parochial Employee Retirement System, Post Office Box 14619, Baton Rouge, Louisiana, 70898-4619 or by calling (225) 928-1361.

NOTE 8 – SEWERAGE FEES

In order to defray the cost of maintaining the system, Wards 5 & 8 Joint Sewerage Commission charges each participant a \$1 fee per one thousand gallons of water consumed by each participant's water customers. The Commission has set aside 15 cents on each dollar collected in a money market account specifically for any repairs paid by the Commission. The other 85 cents goes toward the other operating expenses such as utilities, salaries, etc. As of September 30, 2004 and 2003, the balance in the repair & maintenance account was \$ 34,960 and \$ 13,328.

WARDS 5 and 8 JOINT SEWERAGE COMMISSION
OF THE PARISH OF ST. MARY
STATE OF LOUISIANA
SCHEDULE OF INSURANCE IN FORCE
For the Year Ended September 30, 2004
(Unaudited)

September 30, 2004

<u>Insurer</u>	<u>Type of Insurance</u>	<u>Coverage</u>	<u>Exp. Date</u>
American Internationl Co.	Public Officials Errors & Ommissions	Aggregate \$ 1,000,000	12/16/04
All State Co.	Commercial Property	Building & Contents \$ 264,051 1,423,250	7/2/05
AAIC Ins. Co.	Auto	Combined \$ 1,000,000	7/2/05
LWCC Ins. Co.	Worker's Compensation	Ea. Accident Aggregate \$ 1,000,000 1,000,000	7/2/05
AAIC Ins. Co.	General Liability	Aggregate Ea. Occurrence \$ 3,000,000 1,000,000	7/2/05
AAIC Ins. Co.	Commercial Umbrella	Aggregate \$ 1,000,000	7/2/05

WARDS 5 and 8 JOINT SEWERAGE COMMISSION
OF THE PARISH OF ST. MARY
STATE OF LOUISIANA
SCHEDULE OF INSURANCE IN FORCE
For the Year Ended September 30, 2003
(Unaudited)

September 30, 2003

<u>Insurer</u>	<u>Type of Insurance</u>	<u>Coverage</u>	<u>Exp. Date</u>
CNA Ins Co.	Public Officials Errors & Omissions	Aggregate \$ 1,000,000	12/16/03
All State Co.	Commercial Property	Building & Contents \$ 264,057 1,423,250	7/2/04
AAIC Ins. Co.	Auto	Combined \$ 1,000,000	7/2/04
LWCC Ins. Co.	Worker's Compensation	Ea. Accident Aggregate \$ 1,000,000 1,000,000	7/2/04
AAIC Ins. Co.	General Liability	Aggregate Ea. Occurrence \$ 2,000,000 1,000,000	7/2/04
AAIC Ins. Co.	Commercial Umbrella	Aggregate \$ 1,000,000	7/2/04

WARDS 5 and 8 JOINT SEWERAGE COMMISSION
OF THE PARISH OF ST. MARY
STATE OF LOUISIANA

SCHEDULE OF PAYMENTS FOR BOARD OF COMMISSIONERS
For the Years Ended September 30, 2004 and 2003

September 30, 2004

<u>Board Members</u>	<u>Number of Meetings Attended</u>	<u>Total Amount Received</u>
Larry Mendoza	10	\$ 600
Floyd Verrett	12	600
Barry Dufrene	9	600
Tony Hensgens	9	600
Rafael Lopez	12	<u>600</u>
Total		<u>\$ 3,000</u>

September 30, 2003

<u>Board Members</u>	<u>Number of Meetings Attended</u>	<u>Total Amount Received</u>
Larry Mendoza	7	\$ 600
Barry Dufrene	9	600
Tony Hensgens	12	600
Floyd Verret	12	600
Rafael Lopez	10	<u>600</u>
Total		<u>\$ 3,000</u>

WARDS 5 & 8 JOINT SEWERAGE COMMISSION
PARISH OF ST. MARY
STATE OF LOUISIANA

REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

YEARS ENDED SEPTEMBER 30, 2004 AND 2003

ADAMS & JOHNSON

CERTIFIED PUBLIC ACCOUNTANTS

P. O. BOX 729 • 517 WISE STREET

PATTERSON, LOUISIANA 70392

(985) 395-9545

HERBERT J. ADAMS, JR., C.P.A.

WILLIAM H. JOHNSON, III, C.P.A.

MEMBERS:

AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Commissioners
Wards 5 & 8 Joint Sewerage Commission
P.O. Box 181
Berwick, Louisiana 70342

We have audited the basic financial statements of the Wards 5 & 8 Joint Sewerage Commission for the years ended September 30, 2004 and 2003, and have issued our report thereon dated February 28, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Wards 5 & 8 Joint Sewerage Commission's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not the objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed an immaterial instance of noncompliance that is required to be reported under Government Auditing Standards and has been reported to management in a separate letter dated February 28, 2005.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Wards 5 & 8 Joint Sewerage Commission's internal control over financial reporting in order to determine our auditing procedures for the purposes of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving internal control over financial reporting and its operation that we consider to be reportable conditions.

Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect Wards 5 & 8 Joint Sewerage Commission's ability to record, process, summarize and report financial data consistent with the *assertions of management in the basic financial statements*. The reportable condition is described in the accompanying schedule of findings and questioned cost as Item 04-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned function.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control structure that might be reportable conditions and accordingly, would not necessarily disclose all *reportable conditions* that are also considered to be material weaknesses as defined above. However, we believe Item 04-1 to be a material weakness.

This report is intended solely for the use of management, the participants, and the Louisiana Legislative Auditor, and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report which, upon acceptance by the Wards 5 & 8 Joint Sewerage Commission is a matter of public record.



ADAMS & JOHNSON
Certified Public Accountants

Patterson, Louisiana
February 28, 2005

WARDS 5 & 8 JOINT SEWERAGE COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended September 30, 2004

A. Summary of Audit Results:

1. The auditors' report expresses an unqualified opinion on the financial statements of Wards 5 & 8 Joint Sewerage Commission.
2. No instances of noncompliance material to the financial statements of Wards 5 & 8 Joint Sewerage Commission, which would be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
3. One reportable condition in internal control, which is also a material weakness see finding Item 04-01.

B. Findings:

04-01 Finding: Lack of segregation of duties.

Cause: Our examination disclosed that there is not any segregation of duties within the Commission's accounting function, (especially in the areas of cash receipts, bank reconciliations, cash disbursements, general ledger, and journal entries). This weakness is due to the fact that the Commission sub-contracts out this bookkeeping function to a bookkeeper. Due to the lack of segregation of duties, possible errors or irregularities could occur in the accounting records and not be detected. Understandably, since the Commission doesn't have any employees hired to handle the accounting function and they sub-contract this service out, the most ideal system of internal control or the most desirable accounting system may not be practicable. Also the cost of hiring employees to handle the accounting function might exceed any benefits gained. The management of the Commission is well aware of the loss of internal control that results with their sub-contracting of the accounting functions and are constantly on watch for any problems that would occur.

Recommendation: Based upon the cost-benefit of hiring accounting personnel, it may not be feasible to achieve complete segregation of duties. We recommend the Commission continue to closely monitor all records and transactions.

Response: Management concurs with recommendations.

WARDS 5 & 8 JOINT SEWERAGE COMMISSION

SCHEDULE OF PRIOR YEAR FINDINGS

For the Year Ended September 30, 2003

A. Summary of Prior Findings:

Finding: Lack of segregation of duties.

Status: This finding still exists. See 04-01 on the schedule of the current year findings and questioned cost.

ADAMS & JOHNSON

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Management Letter

February 28, 2005

Members of the Board of Commissioners
Wards 5 & 8 Joint Sewerage Commission
P.O. Box 181
Berwick, Louisiana 70342

During the performance of our audit of Wards 5 & 8 Joint Sewerage Commission for the year ended September 30, 2004, we noted an immaterial instance of noncompliance with state laws that was clearly inconsequential to the audit results. However, we feel this instance of noncompliance should be communicated to the Board of Commissioners for future reference.

Publication of Official Proceedings

LRS 43:143-144 and LRS 43:171-173 and A.G. 82-383 require the timely publication of minutes, ordinances, resolutions, budgets, and other official proceedings of the Commission in the official journal. The Commission failed to publish their minutes during the year ended September 30, 2004.

Recommendation: Management should take measures to insure that the official proceedings are timely published in the official journal.

Management's Response: Since the date of this report we are now publishing all the *minutes of the meetings and other official proceedings in the official journal in a timely fashion.*

These comments regarding immaterial instances of noncompliance have been made to management in order to assist them in complying with state laws.



Adams and Johnson
Certified Public Accountants

Patterson, Louisiana
February 28, 2005